

San Geronio Pass Water Agency

DATE: December 19, 2022
TO: Board of Directors
FROM: Lance Eckhart, General Manager
BY: Tom Todd, Jr., Chief Financial Officer
SUBJECT: INCREASE CABAZON GAP FUNDING LIMIT

RECOMMENDATION

Approve the proposed amendment to the agreement with Cabazon Water District (CWD).

PREVIOUS CONSIDERATION:

- Board of Directors – February 14, 2022: The Board reviewed and discussed potentially providing "gap funding" for Cabazon Water District (CWD) for improvements to be made to their CWD's infrastructure ([Staff Report](#)).
- Board of Directors – March 14, 2022: The Board reviewed and discussed an updated proposal for the Gap Funding project and reviewed a potential agreement ([Staff Report](#)).
- Board of Directors – April 11, 2022: The Board approved the agreement as proposed by Staff to provide Gap Funding for Cabazon Water District improvements ([Staff Report & Agreement](#)).
- Board of Directors – December 12, 2022: The Board authorized the General Manager to proceed with Legal Counsel to draft an amendment to the agreement with CWD to increase the gap funding limit to \$1,300,000 ([Staff Report](#)).

BACKGROUND

As reviewed by the Board on December 12, 2022, Krieger & Stewart Engineering Consultants (KSE), acting as the District's grant project manager, alerted the Agency to potentially good news. The contractor implementing the isolation valve project has procured all the necessary materials and has an additional crew available to do the work.

The increased work schedule also brings faster-paced invoicing and, with it, a potential for a longer turnaround for reimbursements. The Board approved drafting an amendment to increase the limit of the gap funding available to CWD to \$1,300,000, to be presented to the Board for final approval.

ANALYSIS

The current agreement with the District sets a maximum gap funding limit of \$800,000. KSE estimates that there could be an additional \$400,000+ gap between invoicing and reimbursements. Because of the faster pace of construction, CWD could need an excess of \$1,200,000 in gap funding to complete the projects more quickly.

An amendment to the Cabazon Gap Funding Agreement has been drafted by counsel (attached).

FISCAL IMPACT

At this time, the Agency has more than sufficient reserves to make gap funding available for the District's grant-funded projects. Based on necessary gap funding estimates by KSE, Staff recommends raising the gap funding limit to \$1,300,000.

ACTION

Approve the proposed amendment to the agreement with Cabazon Water District (CWD).

ATTACHMENT

- First amendment to the Agreement for Providing Gap Funding to Cabazon Related to Approved Proposition 68 and Proposition 1 Grants

FIRST AMENDMENT
TO
AGREEMENT FOR PROVIDING GAP FUNDING TO CABAZON
RELATED TO APPROVED PROPOSITION 68 AND PROPOSITION 1 GRANTS

This FIRST AMENDMENT TO AGREEMENT FOR PROVIDING GAP FUNDING TO CABAZON RELATED TO APPROVED PROPOSITION 68 AND PROPOSITION 1 GRANTS (“**Amendment**”) is made and entered into as of December 14, 2022, by and between the SAN GORGONIO PASS WATER AGENCY, a public agency formed under the San Gorgonio Pass Water Agency Law set forth in Act 1100 of the Water Code Uncodified Acts (“**SGPWA**”) and the CABAZON WATER DISTRICT, a public agency organized and operating under the County Water District Law, Water Code section 30000 *et seq.* (“**CABAZON**”).

RECITALS

A. CABAZON and SGPWA entered into that certain Agreement For Providing Gap Funding To Cabazon Related To Approved Proposition 68 and Proposition 1 Grants (“**Agreement**”) dated as of April 11, 2022. Pursuant to the Agreement, SGPWA agreed to provide Advanced Funds of up to \$800,000 to CABAZON to cover the costs of Projects. (The capitalized terms in this Amendment shall have the same meaning as said capitalized terms in the Agreement.); and

B. One of the Projects subject to the Agreement has been progressing faster than anticipated. The resulting increase in the work schedule could bring about faster-paced invoicing and with it, the potential for a longer turnaround time for reimbursement, as said terms and conditions are explained in the Agreement. This circumstance could, in turn, lead to a larger cash flow gap for CABAZON. As a result, the Parties desire to enter into this Amendment in order to increase the potential amount of Advanced Funds from \$800,000 to \$1,300,000 to cover the potential for an increased need for gap funding.

NOW THEREFORE, in consideration of the foregoing Recitals and the promises and covenants contained herein, the Parties agree as follows:

1. **Incorporation Of Recitals.** The above Recitals are hereby incorporated into the Agreement and made a part thereof by this reference.

2. **Increase In Advanced Funds.** Section 5 of the Agreement is hereby deleted and replaced, in its entirety, with the following:

5. **Maximum Advanced Funds.** The maximum amount that may be requested by CABAZON and advanced by SGPWA (“Advanced Funds”) during the Term of this Agreement shall not exceed **One Million Three Hundred Thousand Dollars (\$1,300,000.00)**. Once the maximum amount of Advanced Funds is reached, SGPWA shall have no obligation to advance any further funds to CABAZON.

3. **Balance Of Agreement Shall Remain In Full Force And Effect.** Except as otherwise specifically set forth herein, all other provisions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this agreement as of the date first written above.

CABAZON:

SGPWA:

CABAZON WATER DISTRICT

SAN GORGONIO PASS WATER
AGENCY

By: _____



Michael Pollack

Digitally signed by Michael Pollack
DN: cn=Michael Pollack, o=Cabazon
Water District, ou=Water Department,
email=mpollack@cabazonwater.org,
c=US
Date: 2022.12.14 14:47:31 -08'00'

Name: Michael Pollack _____

By: _____

Name: Lance E. Eckhart

Title: General Manager _____

Title: General Manager